

## Lincluden Balanced Fund



# Annual Management Report of Fund Performance For the year ended December 31, 2020

Dear Investor,

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You may receive a copy of the annual financial statements, at your request, and at no cost, by calling 905-273-4240 (1-844-373-4240), by writing to us at Lincluden Investment Management Limited, 201 City Centre Drive, Suite 201, Mississauga, Ontario, L5B 2T4, email [info@lincluden.netor](mailto:info@lincluden.netor) or by visiting our website at [www.lincluden.com](http://www.lincluden.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

You may request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by contacting us using one of the methods offered above.

*Lincluden Investment Management Limited  
Manager of the Lincluden Balanced Fund*

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Investment Objective and Strategies

The objective of the Lincluden Balanced Fund is to create long-term wealth for the Fund's investors using value-based, risk managed disciplines. Success at achieving the Fund's objective requires disciplined asset allocation and security selection approaches.

The development of tactical asset mix policy is an approach that has balanced inputs. It reflects a marrying of top down with bottom up inputs. We consider the valuation of equity markets relative to a risk-free rate; which for purposes of the valuation represents long term Government of Canada bond yields. We give consideration to inflation and corporate profitability and the valuation of the bond market itself in this process.

Equally important in final asset allocation policy, and particularly so in the allocation of equities between Canadian equities and foreign equities, is the opportunity set of attractively priced equities that we are identifying on a global basis.

Our portfolio managers screen a broad universe of Canadian, U.S. and international stocks in our ongoing search for undervalued securities. Investment decisions are based on a thorough financial assessment of corporations and their management teams to identify securities that are trading at a substantial discount to our appraisal of their fair value.

Our fixed income portfolios are structured to achieve the most efficient combination of duration, credit, yield curve and foreign exposure from a long-term, risk-reward perspective.

In searching for the best value opportunities in fixed income markets, we consider both domestic and foreign securities. When we find better value opportunities in foreign markets, our preference is to eliminate foreign exchange risk through the use of hedging.

## Risk

Risk ratings have been determined separately for each class of units of the Fund and are disclosed in the Fund Facts and the Fund's Simplified Prospectus. The investment risk level of the Fund is reviewed on an annual basis, or whenever there is a material change to the Fund. More methodology information can be found in the Fund's Simplified Prospectus. As a result of employing the revised methodology and conducting the regular annual review, no changes were made to the risk ratings for all classes of units, for which the risk rating was maintained as "Low to Medium". There have been no changes to the investment objectives or strategies of the Fund.

## Results of Operations

With regard to bonds, the COVID pandemic led to a dramatic decline in interest rates during the first half of the year. Economic conditions rebounded dramatically following the implementation of significant levels of both monetary and fiscal policy stimulus. As a result, bond yields increased steadily throughout the balance of the year.

With regard to equities, during the first quarter the COVID pandemic led to a steep decline in markets. However on the back of accommodative monetary and fiscal policies, markets rallied dramatically. Late in the year as news emerged that several promising vaccines were going to be distributed, markets continued to advance to record highs.

The Fund posted a solid positive return for the year. The bond portfolio had a strong year with the performance ahead of its benchmark. The Canadian and Global equities both posted positive returns with the performance lagging their benchmarks as the value style of investing was impacted during the year.

The Canadian equity portfolio posted a slight positive return. Holdings in the Consumer related sectors added to the performance with Magna, North West, and Restaurant Brands leading the way with very strong returns. The exposure to Energy was a detractor with the holdings declining during the period. A lack of exposure to some of the overvalued and speculative Technology stocks which rallied during the pandemic detracted from the performance. Strong stock selection in various companies including Bird Construction, CN Rail, Nutrien, ONEX, Power Corp, Stella-Jones, and West Fraser Timber helped as their share prices appreciated considerably.

The foreign equity portfolio posted a slight positive return in Canadian Dollar terms. The Consumer related holdings advanced with shares of Associated British Foods, Dollar General, Dollar Tree, Kroger, Lowes, Reckitt Benckiser, TJX, Tractor Supply, and Walmart appreciating considerably. The exposure to Energy was a detractor with the holdings declining during the period. A lack of exposure to some of the overvalued and speculative Technology stocks which rallied during the pandemic detracted from the performance. However holdings in Apple, Corning, Infineon, Microsoft, and Oracle had very strong returns. Other detractors included Communication Services holdings China Mobile and Orange, and Financials Citigroup, ING, and Wells Fargo. The holdings in Alphabet and Walt Disney added to the performance with strong returns in the period.

## Recent Developments

The overall performance of the bond portfolio was strong for the year. Corporate bond exposure was the biggest contributor to bond performance during 2020. Significant additions were made to the corporate bond portfolio at very attractive yields during the peak of the pandemic.

Asset mix continues to be targeted at the long-term policy weight with 60% in equities and 40% in fixed income, which includes primarily bonds, and a small percentage in cash.

Several Canadian and Global stocks were sold as they reached their target price. In addition, several new positions were initiated taking advantage of pricing opportunities as they presented themselves.

In the Canadian equity portfolio the positions in Dollarama, Genworth, Intact Financial, Richelieu, and Rogers were eliminated. The primary reasons for selling these positions were that their shares had reached our target prices and in some cases there were other candidates that offered a more attractive risk return profile including new additions Brookfield Asset Management, Couche Tard, ONEX, Restaurant Brands, and West Fraser Timber.

Genworth had a strong performance with its shares advancing significantly. Brookfield Business Partners announced its intent to buy the remaining shares in Genworth it does not already own at an attractive premium. The position was eliminated from the portfolio after the last dividend was received, with the proceeds redeployed into other compelling opportunities. A position was established in Alimentation Couche-Tard at an attractive valuation. The company operates a global network of convenience stores and fuel stations throughout North America as well as parts of Europe under brands such as Circle K, Corner Store, and Statoil. The company should continue to benefit from its drive to consolidate the market through its acquisitions resulting in added synergies. Furthermore, it is well positioned for an eventual recovery in fuel sales volumes.

In the Foreign equity portfolio, several new positions were initiated including Alphabet, Associated British Foods, Bridgestone, Carnival, Infineon Technologies, SAP, Sun Communities, TJX, Tractor Supply and Walt Disney. The positions in Henkel and Keuhne & Nagel were eliminated as their shares had reached our target prices.

Associated British Foods is an international food, ingredient, and retail group. About half of sales come from leading grocery products, ingredients, sugar, and ingredients for the agricultural industry. The other half of sales come from Primark, a leading value-fashion brand; 75% of the divisions sales come from the UK and Europe with balance from the US and Asia Pacific. The company has a strong balance sheet with a net cash position and it is a consistent free cash flow generator while trading at a substantial discount to the market.

A position in Bridgestone was initiated following a sharp sell-off due to Covid pressures. The company is a global leader in manufacturing tires. The company has consistently generated strong profitability metrics, stable margins, and free cash flow. The stock has an attractive dividend yielding close to 5%. In addition the company buys back its shares. The balance sheet is very strong with minimal debt. We believe consumer-driving habits will return and potentially increase at the expense of public transit, which should benefit Bridgestone. The valuation is attractive and the risk/reward profile is favourable.

SAP is a leader in enterprise management software. Sales were weaker than expected as a result of their customers cost containment efforts in this Covid environment. As a result the stock was off during the period and provided us with an opportunity to purchase it with a rebound expected in 2021.

#### Related Party Transactions

Lincluden Investment Management Limited ("Lincluden") is the Trustee, Portfolio Advisor and Manager of the Fund and receives a fee for the services the firm provides as Portfolio Advisor. Lincluden pays commissions to investment dealers who transact in buy and sell activity in the Fund's investments at a rate that is reflective of the general service provided to Lincluden by the dealer. Lincluden provides, or arranges for the provision of, all general management and administrative services required by the Fund in its day to day operations.

FINANCIAL HIGHLIGHTS
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The following tables show selected key financial information about the Lincluden Balanced Fund and are intended to help you understand the Fund's financial performance for the past 5 financial years. This information is derived from the Fund's audited annual financial statements.

Net Assets per Unit– Series A					
	2020	2019	2018	2017	2016
Net Assets, beginning of year <sup>1, 2</sup>	\$14.93	\$14.04	\$16.04	\$15.71	\$14.67
Increase (decrease) from operations:					
Total revenue	\$0.42	\$0.49	\$0.50	\$0.46	\$0.44
Total expenses	\$(0.33)	\$(0.34)	\$(0.39)	(\$0.35)	(\$0.33)
Realized gains (losses) for the period	\$0.52	\$0.75	\$0.92	\$0.32	\$0.21
Unrealized gains (losses) for the period	\$0.26	\$0.72	\$(1.72)	(\$0.01)	\$0.77
Total increase (decrease) from operations <sup>1</sup>	\$0.87	\$1.62	\$(0.69)	\$0.42	\$1.09
Distributions:					
From income (excluding dividends)	\$0.05	\$0.11	\$0.08	\$0.14	\$0.07
From dividends	\$0.05	\$0.05	\$0.05	-	\$0.04
From capital gains	-	\$0.52	\$1.12	-	-
Return of capital	-	-	-	-	-
Total annual distributions <sup>3, 4</sup>	\$0.10	\$0.68	\$1.25	\$0.14	\$0.11
Net Assets, end of period <sup>1, 2, 5</sup>	\$15.81	\$14.93	\$14.04	\$16.04	\$15.71

Net Assets per Unit– Series F (Series F units established December 8, 2017)					
	2020	2019	2018	2017	2016
Net Assets, beginning of year <sup>1, 2</sup>	\$15.62	\$14.68	\$16.81	-	-
Increase (decrease) from operations:					
Total revenue	\$0.44	\$0.51	\$0.53	\$0.02	-
Total expenses	\$(0.09)	\$(0.09)	\$(0.12)	-	-
Realized gains (losses) for the period	\$0.56	\$0.79	\$0.97	\$0.07	-
Unrealized gains (losses) for the period	\$0.26	\$0.73	\$(1.88)	(\$0.17)	-
Total increase (decrease) from operations <sup>1</sup>	\$1.17	\$1.94	\$(0.50)	(\$0.08)	-
Distributions:					
From income (excluding dividends)	\$0.20	\$0.25	\$0.26	\$0.10	-
From dividends	\$0.17	\$0.18	\$0.16	-	-
From capital gains	\$0.35	\$0.54	\$1.20	\$0.11	-
Return of capital	-	-	-	-	-
Total annual distributions <sup>3, 4</sup>	\$0.72	\$0.97	\$1.62	\$0.21	-
Net Assets, end of period <sup>1, 2, 5</sup>	\$16.17	\$15.62	\$14.68	\$16.81	-

Net Assets per Unit – Series O					
	2020	2019	2018	2017	2016
Net Assets, beginning of year <sup>1, 2</sup>	\$15.90	\$15.09	\$16.93	\$16.56	\$15.44
Increase (decrease) from operations:					
Total revenue	\$0.45	\$0.52	\$0.53	\$0.49	\$0.47
Total expenses	\$(0.04)	\$(0.05)	\$(0.07)	(\$0.04)	(\$0.04)
Realized gains (losses) for the period	\$0.56	\$0.82	\$0.97	\$0.30	\$0.23
Unrealized gains (losses) for the period	\$0.34	\$0.71	\$(1.82)	\$0.16	\$1.03
Total increase (decrease) from operations <sup>1</sup>	\$1.30	\$2.00	\$(0.39)	\$0.91	\$1.69

Distributions:					
From income (excluding dividends)	\$0.23	\$0.28	\$0.29	\$0.40	\$0.27
From dividends	\$0.19	\$0.21	\$0.18	-	\$0.13
From capital gains	\$0.43	\$0.72	\$0.91	-	-
Return of capital	-	-	-	-	-
Total annual distributions <sup>3, 4</sup>	\$0.85	\$1.21	\$1.38	\$0.40	\$0.40
Net Assets, end of period <sup>1, 2, 5</sup>	\$16.37	\$15.89	\$15.09	\$16.93	\$16.56

<sup>1</sup>Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted number of units outstanding over the financial period.

<sup>2</sup>Information is in accordance with IFRS.

<sup>3</sup>Distributions were reinvested in additional units of the Fund.

<sup>4</sup>The Fund's prospectus provides that, "Each calendar year, the Fund distributes net income and net realized capital gains to Unitholders of the Fund to the extent necessary to ensure the Fund does not pay ordinary income tax. Distributions of income may be made periodically throughout the year on a schedule to be determined by the Manager. Distributions of capital gains are normally made in December of each year. At a minimum, the Fund will effect a distribution on the last business day of the year. Distributions from the Fund will be automatically reinvested in Units of the Fund." Currently net income is distributed on a quarterly basis and net capital gains during the month of December.

<sup>5</sup>The financial highlights are not intended to act as a continuity of the opening and closing net assets per unit.

#### Ratios and Supplemental Data – Series A

	2020	2019	2018	2017	2016
Total net asset value (\$) (000s)	\$546.00	\$791	\$830	\$996	\$1,196
Number of units outstanding	34,534	52,978	59,101	62,076	76,113
Management expense ratio (%) <sup>1</sup>	2.10%	2.08%	2.08%	2.03%	2.03%
Management expense ratio before absorptions (%) <sup>1</sup>	2.10%	2.08%	2.08%	2.03%	2.31%
Portfolio turnover rate (%) <sup>2</sup>	42.49%	37.92%	44.17%	27.08%	31.56%
Trading expense ratio (%) <sup>3</sup>	0.05%	0.05%	0.04%	0.04%	0.05%
Net asset value per unit	\$15.81	\$14.93	\$14.04	\$16.04	\$15.71

#### Ratios and Supplemental Data – Series F (Series F units established Dec 8, 2017)

	2020	2019	2018	2017	2016
Total net asset value (\$) (000s)	\$48,009	\$50,028	\$51,199	\$57,877	-
Number of units outstanding	2,968,867	3,202,605	3,487,069	3,442,518	-
Management expense ratio (%) <sup>1</sup>	0.40%	0.39%	0.39%	0.01%	-
Management expense ratio before absorptions (%) <sup>1</sup>	0.40%	0.39%	0.39%	0.01%	-
Portfolio turnover rate (%) <sup>2</sup>	42.49%	37.92%	44.17%	27.08%	-
Trading expense ratio (%) <sup>3</sup>	0.05%	0.05%	0.04%	0.04%	-
Net asset value per unit	\$16.17	\$15.62	\$14.68	\$16.81	-

#### Ratios and Supplemental Data – Series O

	2020	2019	2018	2017	2016
Total net asset value (\$) (000s)	\$26,435	\$26,884	\$24,099	\$34,315	\$93,483
Number of units outstanding	1,614,461	1,691,357	1,596,683	2,026,372	5,644,495
Management expense ratio (%) <sup>1</sup>	0.12%	0.10%	0.10%	0.06%	0.06%
Management expense ratio before absorptions (%) <sup>1</sup>	0.12%	0.10%	0.10%	0.06%	0.32%
Portfolio turnover rate (%) <sup>2</sup>	42.49%	37.92%	44.17%	27.08%	31.56%
Trading expense ratio (%) <sup>3</sup>	0.05%	0.05%	0.04%	0.04%	0.05%
Net asset value per unit	16.37	\$15.89	\$15.09	\$16.93	\$16.56

<sup>1</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It assumes the maximum management fee allowed for in the Fund's Simplified Prospectus.

<sup>2</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## Management Fees & Dealer Compensation

### Series A

Lincluden is entitled to an annual management fee from the series A units of the Fund of 1.75%. A lower fee of 1.25% may apply to larger account balances in the form of a management fee rebate. The management fee for the series A units of the Fund is based on the average daily net asset value of the series A units of the Fund and is payable monthly, in arrears.

To assist with distribution, administration and other client services, Lincluden pays dealers a trailer fee out of the management fees received. The trailer fee is a percentage of the total NAV per unit of all Class A units held by each dealer's clients. For the year ended December 31, 2020, approximately 57% of the management fees paid to us for Series A units were used to fund commissions to dealers.

### Series F

Lincluden is entitled to an annual management fee from the series F units of the Fund of 0.25%. The management fee for the series F units of the Fund is based on the average daily net asset value of the series F units of the Fund and is payable monthly, in arrears.

Series F units are available only to investors who participate in a qualifying fee-based program with pre-qualified representatives. Minimum investments may apply.

### Series O

The Fund pays no management fees to Lincluden. For management services provided by Lincluden, in its role of portfolio advisor to the Fund, the Fund's Series O investors will pay a management fee directly to Lincluden.

The maximum annual management fee before GST/HST (expressed as a percentage of assets under management by Lincluden) payable to Lincluden is 1.75%. A lower fee may apply to larger account balances.

The management fee payable is calculated and accrued on the last valuation date of each month, based on the value of the investor's units on that date, and is payable on the last valuation date in each month. Payment of the investment management fee is generally effected by redemption of units held by the investor in the Fund in the amount of the applicable management fee.

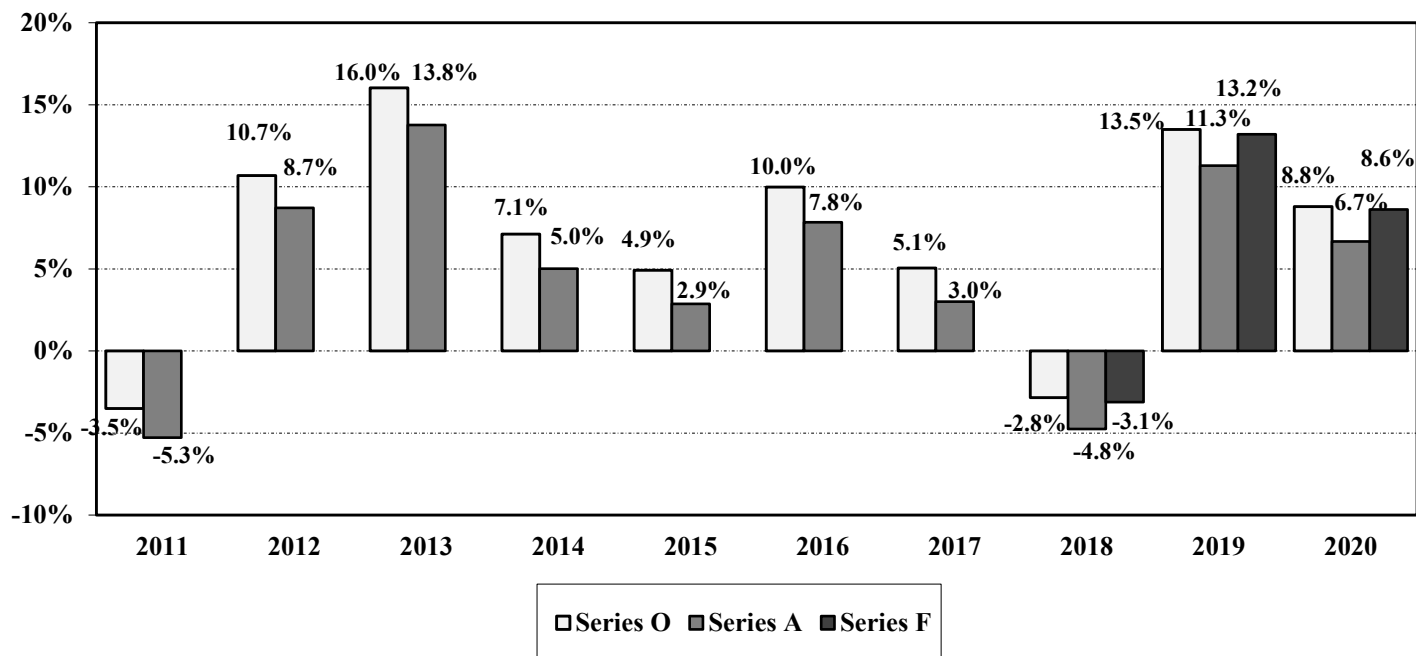
## PAST PERFORMANCE

The performance information shown below assumes that all distributions made by the Fund were reinvested in additional units of the Fund. It does not take into account sales, redemption, distributions, optional charges or income taxes payable that, if applicable, would have reduced returns or performance.

The return on mutual funds is not guaranteed. How the Fund performed in the past does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the Fund's annual performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how much an investment in the Fund held on the last day of the prior period would have grown or decreased by the last day of each period.



### Annual Compound Returns

The following table compares the historical annual compound total return of each series of the Fund with a broad-based index, the S&P/TSX Composite Total Return Index. This index is the capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, including the reinvestment of dividends.

The returns of each series may vary because of differences in management fees and expenses. The broad-based index returns do not include any costs of investing.

Lincluden Balanced Fund	10 years	5 years	3 Years	1 Year
Series A	4.7%	4.7%	4.2%	6.7%
Series F	N/A	N/A	6.0%	8.6%
Series O	6.8%	6.8%	6.3%	8.8%
Broad-Based Index	7.3%	7.5%	7.4%	9.6%

SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2020
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Sector Mix	% of Fund's Net Asset Value	
Fixed Income	36.50%	
Canadian	36.50%	
Federal		3.00%
Provincial		14.90%
Municipal		0.70%
Corporate		17.90%
Equities	60.50%	
Canadian	31.10%	
Capital Goods		0.90%
Communications Services		0.00%
Consumer Discretionary		4.30%
Consumer Staples		2.30%
Energy		3.80%
Financial Services		9.10%
Industrials		1.80%
Information Technology		3.60%
Materials		3.60%
Transportation		1.70%
United States	16.60%	
Communications Services		1.60%
Consumer Discretionary		2.60%
Consumer Staples		1.90%
Energy		0.60%
Financial Services		2.80%
Health Care		2.00%
Information Technology		2.90%
Materials		2.20%
International	12.80%	
Finland		0.40%
France		3.10%
Germany		2.30%
Hong Kong		0.40%
Italy		0.50%
Japan		0.60%
Netherlands		1.70%
Switzerland		0.50%
United Kingdom		3.30%
Short-Term Investments	1.30%	
Other Assets	1.70%	
Total	<u>100.00%</u>	



Top 25 Positions	% of Fund's Net Asset Value
Province of Ontario, 3.150%, 2022/06/02	3.1%
Government of Canada, 1.250%, 2030/06/01	2.3%
MTY Food Group Inc.	2.0%
Province of Alberta, 2.350%, 2025/06/01	1.7%
Canadian National Railway Co.	1.7%
Bird Construction Inc.	1.7%
Home Capital Group Inc.	1.6%
Cenovus Energy Inc.	1.6%
Toronto-Dominion Bank (The)	1.5%
Royal Bank of Canada	1.5%
Province of Ontario, 2.700%, 2029/06/02	1.5%
Alimentation Couche-Tard Inc., Class 'B'	1.4%
Province of Quebec, 2.750%, 2025/09/01	1.4%
Constellation Software Inc.	1.4%
CGI Inc.	1.3%
Stella-Jones Inc.	1.3%
Canadian Imperial Bank of Commerce	1.3%
Gildan Activewear Inc.	1.2%
Province of British Columbia, 3.250%, 2021/12/18	1.2%
Province of Ontario, 2.400%, 2026/06/02	1.2%
National Bank of Canada, 1.809%, 2021/07/26	1.1%
Dollar Tree Inc.	1.0%
West Fraser Timber Co. Ltd.	1.0%
Centene Corp.	0.9%
CCL Industries Inc., Class 'B'	0.9%

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates on the Fund's holdings may be obtained free of charge by calling us at 905-273-4240 (1-844-373-4240), or by writing us at Lincluden Investment Management Limited, 201 City Centre Drive, Suite 201, Mississauga, Ontario, L5B 2T4, or by visiting our website at [www.lincluden.com](http://www.lincluden.com) or SEDAR at [www.sedar.com](http://www.sedar.com).